

STANDING COMMITTEE REPORT NO. 15-70

RE: C.B. NO. 15-30/J&GO

SUBJECT: EXEMPTING FEDERALLY FUNDED EMPLOYEES
FROM THE PUBLIC SERVICE SYSTEM

FEBRUARY 11, 2008

The Honorable Isaac V. Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Third Regular Session, 2008

Dear Mr. Speaker:

Your Committee on Judiciary and Governmental Operations ("J&GO"), to which was referred C.B. No. 15-30 entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTION 117 TO EXEMPT EMPLOYEES OF UNITED STATES FEDERALLY FUNDED PROGRAMS FROM THE PUBLIC SERVICE SYSTEM ACT, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

C.B. NO. 15-30 would exempt employees of United States federally funded programs from the FSM public service system, thereby giving Congress the power to increase their compensation beyond what is allowed for under the FSM public service system. The continuation of these positions will depend on the duration of the US grants.

Your Committee understands that the amount of grant award given to the FSM to fund the various programs is currently more than the amount actually spent because all personnel of US federally funded programs are governed under the Public Service System. Thus, the FSM currently receives less at the end of each fiscal year from the personnel line budget, instead of the maximum reimbursable amount.

The US reimburses the entire amount the FSM pays for the operating expenses of the US federally funded programs. The employees of these programs are attached to the FSM government only for the purposes of accounting and paying obligations through the Division of Accounting.

Your committee held a hearing on this bill on 22 November 2007. The Acting Secretary of the Department of Education, Mr. Marcus Samo, was in attendance, as well as a representative from the FSM Division of Personnel. Committee Chairman Sitan and members Nelson and Primo were

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present.

It was noted that these US federally funded programs will not go on indefinitely but that funding will stop at some point. Being under the FSM public service system means that a position is protected. Acting Secretary Samo noted that some positions are under contract and others are permanent. Under the FSM public service system, permanent positions are protected. There was a comment that the executive is considering putting all of these positions under contract, in the event that funding stops. Acting Secretary Samo said that he supports the bill. The representative of Personnel also expressed his support for the bill.

The intention of this bill is to exempt all personnel of the US federally funded programs from the Public Service System to enable these employees to receive the maximum reimbursable amount from the U.S. In addition, your committee notes that this increased income will be subject to FSM taxation and will thus result in increased tax revenue for the FSM.

Accordingly, your Committee on Judiciary and governmental Operations is in accord with the intent and purpose of C.B. No. 15-30 and recommends its passage on First Reading, and that its be placed on the Calendar for Second and Final Reading.

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Respectfully submitted,

/s/ Peter Sitan
Peter Sitan, chairman

Fredrico O. Primo, vice chairman

Tiwiter Aritos, member

Isaac V. Figir, member

/s/ Dohsis Halbert
Dohsis Halbert, member

/s/ Moses A. Nelson
Moses A. Nelson

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member